Mangel Stores Corporation

and Subsidiaries

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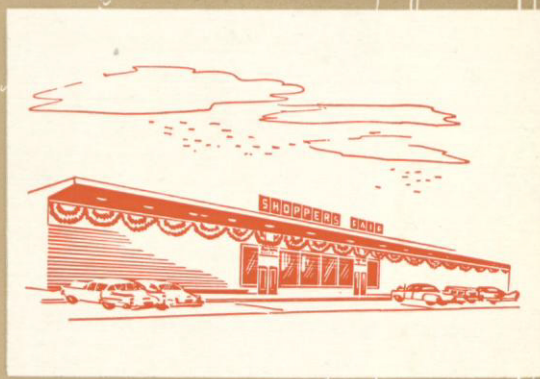
ANNUAL REPORT • 1957

FOR THE YEAR ENDED JANUARY THIRTY-FIRST



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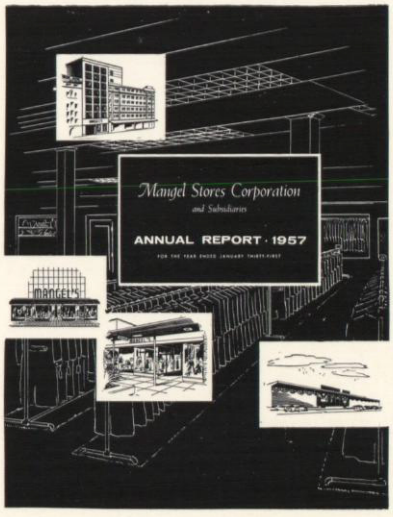
Highlights

BALANCE SHEET DATA	1957	1956
Current Assets	$ 9,181,858	$ 9,192,496
Current Liabilities	2,071,628	2,344,816
Net Working Capital	7,110,230	6,847,680
Current Ratio	4.4	3.9
Accounts Receivable	$ 3,276,348	$ 3,116,513
Inventories	3,628,380	3,338,297
Fixed Assets	7,213,475	5,544,515
Long Term Debt	4,701,579	3,447,432
Shareholders' Equity	9,763,895	9,142,911
INCOME DATA		
Number of Stores	125	118
Net Sales, including income from leased departments	$33,177,700	$28,915,939
Net Income before Federal Income Taxes	2,000,260	1,642,986
Federal Income Taxes	725,000	563,000
Net Income	1,275,260*	1,079,986
PER SHARE DATA		
Net Income	5.04*	4.27
Dividends	2.00	1.40
Book Value	38.62	36.17

* Before deduction of special item of $148,702 ($.59 per share) as set forth in this report.



OUR COVER pictures some of our operations. From our new general headquarters, the building pictured in the upper left hand corner, merchandise and supervision are directed to three types of stores: a conventional downtown store, illustrated at lower left; the suburban shopping center, in the lower center; and one of the new self-service stores, at lower right.

President's Letter

To the shareholders of Mangel Stores Corporation

It is a pleasure to submit for the Board of Directors of your Company this Annual Report for the fiscal year ended January 31, 1957. It was a year of substantial growth and achievement.

SALES

Consolidated net sales, including income from leased departments, for the fiscal year ended January 31, 1957 were $33,177,700 compared with $28,915,939 in the previous fiscal year, a gain of 14.7%. This increase, for the most part, resulted from stores added during the year.

EARNINGS

Net income for the year after taxes amounted to $1,275,260 or $5.04 per share, before a special item of $148,702 applicable to prior years. This compares with net income in the previous fiscal year of $1,079,986 or $4.27 per share.

DIVIDENDS

On November 20, 1956, the Directors increased the regular quarterly dividend rate to 50¢ a share, thereby placing the stock on a regular $2.00 annual basis.

For the fiscal year ended January 31, 1957, dividends to shareholders totaled $2.00 per share against $1.40 per share paid in the previous fiscal year.

FINANCIAL CONDITION

The Comparative Balance Sheet on pages 4 and 5 shows our financial condition in detail.

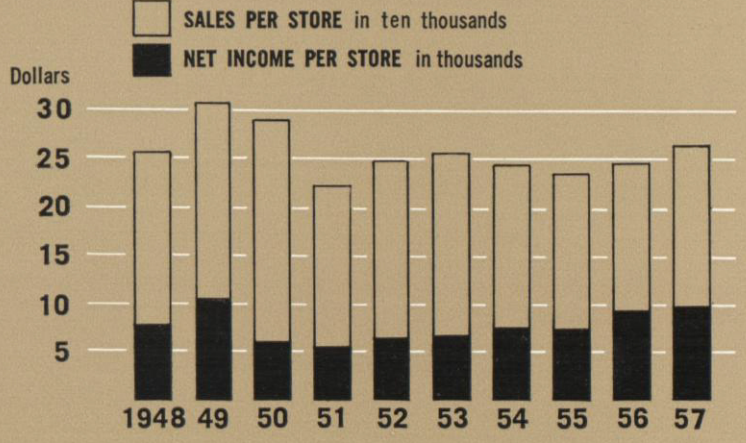
Total assets increased from $15,217,217 at the beginning of the year to $16,837,329 at the end of the year.

The main factors accounting for this increase are increases in outstanding Accounts Receivable, $159,835, Inventories, $290,083, and Fixed Assets, $1,668,960.

The increases in Accounts Receivable and Inventories were occasioned by the expansion of our business volume and the increase in

(Continued on page 2)

Sales per Store and Net Profit per Store ***(Fiscal years ended Jan. 31)***



Note: Data for 1948-1950 are for calendar years

Fixed Assets is due, principally, to the alterations made to our Home Office building.

These increases were financed by additional mortgages raised on properties owned and a bank loan.

Our financial condition was further strengthened as evidenced by the increase in net worth from $9,142,911 to $9,763,895 or a book value of $38.62 per share.

EXPANSION PROGRAM

During the year under review, we closed five unprofitable stores and added twelve new stores, which included three stores in shopping centers and two self-service stores. There was a total of 125 stores operating at the end of the period, as compared with 118 at the end of the previous fiscal year.

Since the end of the fiscal year, two unprofitable stores have been closed and five new units opened, three of which are self-service stores.

RECAPITALIZATION

The Board of Directors, subject to the approval of the stockholders, has voted to increase the authorized capital of the corporation from 300,000 shares of common stock of $1.00 par value each to 1,000,000 shares of common stock of $1.00 par value each. If this action is approved by the stockholders, your Directors have voted to distribute one additional share of common stock for each share now held.

The purpose of increasing the capitalization of the Company is to provide the necessary shares in the event that additional financing to carry on expanding operations may become necessary or desirable. The above program is fully explained in the proxy statement which accompanies this report, and the matter will be brought before the stockholders on May 7th, 1957.

NEW BUILDING

About the middle of January 1957, we moved our executive, merchandising and general offices to our new building, and also those portions of our warehouses that we could reasonably accommodate.

We hope to complete the move within the next few weeks, to take full advantage of the modern equipment we are installing expressly for our particular warehousing needs.

In addition to the space which we occupy, a number of floors are rented to desirable tenants, so that the building is proving a sound investment as well as an important advance in the efficiency of our operation.

OUTLOOK

At the present time, we have 128 stores in operation. It is planned to open additional stores during the year. We are confident and optimistic that our sales volume will benefit substantially by the larger and greater number of units operating.

GENERAL

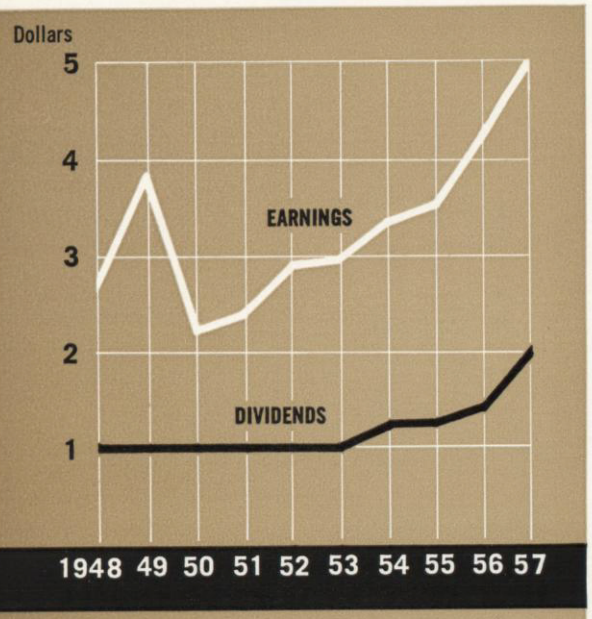
We are glad to acknowledge here the fine support which the management has received from all its employees, shareholders and manufacturers, whose cooperation has enabled us to grow and prosper.

President

April 23, 1957.

Earnings and Dividends per share

(Fiscal years ended Jan. 31)



Note: Data for 1948-1950 are for calendar years

Comparative Consolidated Statement of Income and Earned Surplus

for the year ended January 31, 1957-1956

	1957	1956*
Net sales, including income from leased departments	$33,177,700	$28,915,939
Cost of sales, and general, administrative and selling expenses (exclusive of depreciation and amortization), less service charges on customers accounts	30,438,440	26,601,924
	2,739,260	2,314,015
Depreciation and amortization	798,091	699,647
	1,941,169	1,614,368
Other income — net	59,091	28,618
Net income before Federal income taxes	2,000,260	1,642,986
Federal income taxes	725,000	563,000
Net income	1,275,260	1,079,986
Special item:		
Federal taxes on income and other adjustments applicable to prior years (net) resulting from examination by Internal Revenue Service	148,702	
Net income less special item	1,126,558	1,079,986
Earned Surplus (since January 1, 1936) as at January 31, 1956-1955	8,100,618	7,374,534
	9,227,176	8,454,520
Dividends paid on Common Stock — $2.00 per share in 1957 and $1.40 per share in 1956	505,574	353,902
Earned Surplus (since January 1, 1936) as at January 31, 1957-1956 — Notes B, C and D	$ 8,721,602	$ 8,100,618

*Reclassified for comparative purposes.

The Notes to Financial Statements are an integral part of this statement and should be read in conjunction herewith.

Comparative Consolidated Balance Sheet

Assets

	1957	1956
CURRENT ASSETS:		
Cash	$ 2,157,476	$ 2,731,371
United States Government securities—at cost, plus accrued interest, less amounts applied in reduction of reserve for Federal taxes on income—per contra—$932,261, 1957; $10,000, 1956	80,571	
Accounts receivable—trade, less reserve	3,276,348	3,116,513
Miscellaneous accounts receivable, including, in 1956, current installments of a mortgage receivable	39,083	6,315
Merchandise inventory—at the lower of cost or market, based upon the retail method of inventory valuation (including merchandise in transit—at cost—$149,426, 1957; $181,880, 1956)	3,628,380	3,338,297
TOTAL CURRENT ASSETS	9,181,858	9,192,496
OTHER ASSETS:		
Mortgage receivable, less, in 1956, current installments of $5,812	135,835	134,357
Deposits and miscellaneous other assets	51,791	95,394
	187,626	229,751
FIXED ASSETS — at cost, except for $86,960 of real estate which is at appraised amount:		
Real estate—subject, in part, to mortgages—per contra, less reserves for depreciation—$131,032, 1957; $88,629, 1956	2,113,671	1,908,630
Furniture, fixtures and leasehold improvements, less reserves for depreciation and amortization—$3,838,702, 1957; $3,808,556, 1956	5,099,804	3,635,885
	7,213,475	5,544,515
DEFERRED CHARGES:		
Unexpired insurance	134,315	111,627
Prepaid taxes, expenses, etc.	120,054	138,827
	254,369	250,454
GOODWILL	1	1
	$16,837,329	$15,217,217

The Notes to Financial Statements are an integral part o

Liabilities

	1957	1956
Current Liabilities:		
Current installments of long-term debt — Notes A and B	$ 493,397	$ 274,942
Accounts payable — merchandise, less discounts	440,274	584,227
Accounts payable — expenses, taxes, etc.	998,607	715,568
Customers' deposits on layaway sales and credits	139,350	167,874
Reserve for Federal taxes on income, less United States Government securities—at cost, plus accrued interest—per contra—$932,261, 1957; $10,000, 1956	—	602,205
Total Current Liabilities	2,071,628	2,344,816
Long-Term Debt, Less Current Installments:		
Note payable—bank—Note A	1,800,000	1,000,000
Notes payable—The Prudential Insurance Company of America—Note B	2,083,000	2,350,000
Mortgages payable, 4% to 4¾% (collateralized by real estate—per contra)—with balances payable in installments through:		
1964	50,984	57,528
1966	38,164	39,904
1976	729,431	—
	4,701,579	3,447,432
Total Liabilities	6,773,207	5,792,248
Deferred Income	300,227	282,058
Capital Stock and Surplus—Notes B, C and D:		
Common Stock—par value $1 per share:	Shares	
Authorized	300,000	
Issued	282,470	282,470	282,470
Less: Treasury stock	29,683	29,683	29,683
Outstanding	252,787	252,787	252,787
Surplus:			
Capital Surplus (no change during each year)		789,506	789,506
Earned Surplus (since January 1, 1936)		8,721,602	8,100,618
		9,763,895	9,142,911
Long Term Leases—Note E			
		$16,837,329	$15,217,217

this statement and should be read in conjunction herewith.

Notes TO FINANCIAL STATEMENTS

as at January 31, 1957

The figures as at and for the year ended January 31, 1956, are shown in the accompanying financial statements for comparative purposes. Reference is made to the previously issued report for the notes applicable thereto.

NOTE A — On January 30, 1957, the Company borrowed $2,000,000 from a bank and used $1,000,000 of the proceeds to prepay notes due the bank on April 30, 1957. The loan is evidenced by a promissory note payable in four annual installments of $200,000 each commencing January 30, 1958, and a final installment of $1,200,000 on January 30, 1962, with interest at 4½% per annum. The loan may be prepaid in whole or in part, at any time, without premium.

NOTE B — Under loan agreements dated March 1, 1949, September 15, 1950 and October 25, 1951, loans aggregating $4,000,000 were obtained from The Prudential Insurance Company of America evidenced by promissory notes. At January 31, 1957, the balances of the loans amounted to $1,300,000 maturing in 1961 and $1,050,000 maturing in 1966. The agreements applicable to the loans maturing in 1961 provide for semiannual prepayments of $83,500 until maturity; the other loan provides for semiannual prepayments of $50,000 until maturity. The notes bear interest at the rate of 3⅞%, 3¼% and 4% per annum.
The loan agreements contain certain restrictions which limit the payment of dividends (except stock dividends), the net reduction of capital stock and the amount of certain investments to 70% of consolidated net earnings subsequent to January 31, 1951, plus $250,000. As at January 31, 1957, the amount of $2,004,316 was not subject to these restrictions.

NOTE C — The consolidated Earned and Capital Surplus includes undistributed earnings of subsidiaries which may be subject to Federal income taxes if and when received by the parent company in the form of dividends.

NOTE D — On April 9, 1957, the Board of Directors voted, subject to the approval of the stockholders, to increase the Company's authorized Common Stock (par value $1 per share) from 300,000 shares to 1,000,000 shares and, if such increase in authorized Common Stock is approved by the stockholders, to distribute one share of Common Stock for each share held.

NOTE E — As at January 31, 1957, the minimum annual rentals on property covered by 110 leases expiring after January 31, 1960, amounted to approximately $1,340,000. Certain lease agreements provide for additional rentals based upon sales or for payment of real estate taxes, insurance, etc. In addition, two lease agreements provide for rentals exclusively on the basis of sales.

GENERAL — The accompanying financial statements are subject to final determination of Federal, state and local taxes.

Accountants' Report

TO THE BOARD OF DIRECTORS
MANGEL STORES CORPORATION
NEW YORK, N. Y.

We have examined the consolidated balance sheet of Mangel Stores Corporation and subsidiaries as at January 31, 1957, and the related consolidated statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and earned surplus, together with the notes to financial statements, present fairly the consolidated financial position of Mangel Stores Corporation and subsidiaries at January 31, 1957, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & Co.

New York, N. Y.
April 9, 1957

TEN-YEAR REVIEW

Comparisons of Financial and Statistical Data

YEAR ENDED JANUARY 31	NUMBER OF STORES	NET SALES(1)	NET INCOME	NET INCOME PER SHARE	NET WORKING CAPITAL	SHARE-HOLDERS' EQUITY
1957	125	$33,177,700	$1,275,260(4)	$5.04(4)	$7,110,230	$9,763,895
1956	118	28,915,939	1,079,986	4.27	6,847,680	9,142,911
1955	117	27,564,670	890,215	3.52	6,639,776	8,416,827
1954	117	28,491,478	856,953	3.38	6,542,994	7,851,221
1953	114	29,013,922	757,998	2.99	6,016,572	7,310,876
1952	117	29,116,235	743,721	2.90	6,108,845	6,859,885
1951	115(2)	25,635,310	615,404	2.40	4,394,366	6,372,950
1949(3)	89	25,668,102	544,994	2.12	4,046,309	6,138,191
1948(3)	89	27,081,382	993,596	3.87	3,373,724	5,849,999
1947(3)	90	22,673,345	691,981	2.69	3,009,757	5,113,204

(1) Net sales for 1957 and 1956 include income from leased departments and for 1955 and prior include leased department sales.

(2) Includes acquisition of 26 stores in September 1950.

(3) Calendar years ended December 31st.

(4) Before deduction of special item of $148,702 ($.59 per share) as set forth in this report.

This is the interior of one of our new self-service stores, providing a variety of merchandise in addition to our standard lines of women's and children's apparel. These stores, with minimum overhead, offer first quality merchandise at low prices, and enable customers to use them as one-stop family shopping centers.

MANGEL STORES CORPORATION

EXECUTIVE OFFICES

115 West 18th Street, New York 11, N. Y.

Officers

Sol Mangel, *President*

Phillip F. Frankel, *Vice President*

Sidney Mangel, *Vice President*

Israel A. Diamond, *Vice President and Assistant Treasurer*

Saul C. Guzy, *Vice President and Assistant Secretary*

Sophia Kaufman, *Vice President*

Philip Diamond, *Treasurer*

Max Weinreich, *Secretary*

Al Klein, *Controller*

Directors

Sol Mangel

Philip Diamond

Max Weinreich

Phillip F. Frankel

Saul C. Guzy

Israel A. Diamond

Sidney Mangel

Herbert J. Deitz

George M. Jaffin

Al Klein

COUNSEL
Cole, Grimes, Friedman & Deitz, New York, N. Y.

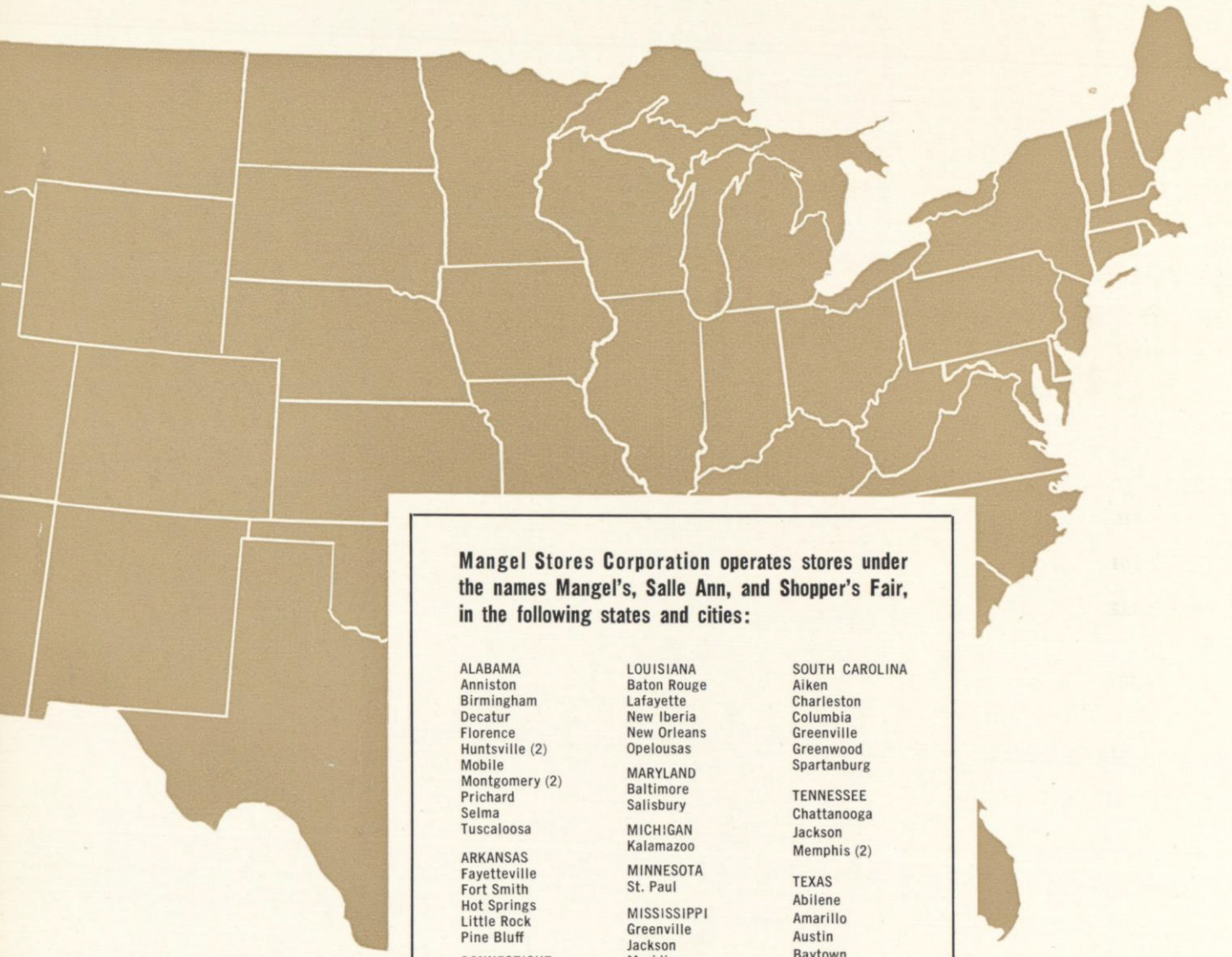
AUDITORS
S. D. Leidesdorf & Co., New York, N. Y.

TRANSFER AGENT
Guaranty Trust Company of New York
140 Broadway, New York 15, N. Y.

REGISTRAR
Manufacturers Trust Company
55 Broad Street, New York 4, N. Y.

LISTED
American Stock Exchange

ANNUAL MEETING
First Tuesday in May



Mangel Stores Corporation operates stores under the names Mangel's, Salle Ann, and Shopper's Fair, in the following states and cities:

ALABAMA
Anniston
Birmingham
Decatur
Florence
Huntsville (2)
Mobile
Montgomery (2)
Prichard
Selma
Tuscaloosa

ARKANSAS
Fayetteville
Fort Smith
Hot Springs
Little Rock
Pine Bluff

CONNECTICUT
Bridgeport

FLORIDA
Jacksonville
Key West
Miami (3)
Miami Beach (2)
Orlando
Panama City
Pensacola (2)
Tallahassee
Tampa

GEORGIA
Atlanta
Augusta
Columbus
Macon
Savannah
Thomasville
Valdosta

ILLINOIS
Chicago
Danville

IOWA
Clinton

INDIANA
Evansville

KENTUCKY
Lexington
Paducah
Shively

LOUISIANA
Baton Rouge
Lafayette
New Iberia
New Orleans
Opelousas

MARYLAND
Baltimore
Salisbury

MICHIGAN
Kalamazoo

MINNESOTA
St. Paul

MISSISSIPPI
Greenville
Jackson
Meridian
Natchez

MISSOURI
Joplin
St. Louis
Springfield

NEW MEXICO
Hobbs
Santa Fe

NEW YORK
Auburn
Elmira
Rochester
Syracuse
Watertown

NORTH CAROLINA
Asheville
Charlotte
Elizabeth City
Greensboro
Raleigh

OHIO
Canton
Lancaster
Zanesville

OKLAHOMA
Muskogee

PENNSYLVANIA
Altoona
Johnstown
Philadelphia (2)

SOUTH CAROLINA
Aiken
Charleston
Columbia
Greenville
Greenwood
Spartanburg

TENNESSEE
Chattanooga
Jackson
Memphis (2)

TEXAS
Abilene
Amarillo
Austin
Baytown
Beaumont (3)
Big Spring
Borger
Brownsville
Brownwood
Corpus Christi (2)
Corsicana
Crowley
Dallas (2)
Galveston (2)
Harlingen
Laredo
Longview
McAllen
Midland
San Antonio (2)
Texarkana
Waco
Wichita Falls

VIRGINIA
Lynchburg

WEST VIRGINIA
Charleston
Huntington

WISCONSIN
Fond du Lac
Green Bay
Madison
Oshkosh
Sheboygan

Mangel Stores Corporation

and Subsidiaries

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